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Influence of Customer's Loyalty-Satisfaction Link on Services Usage

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ABSTRACT

The purpose of this study was to examine relationship between Customer Loyalty-Satisfaction Link and usage of services. This study uses Customer Loyalty-Satisfaction link which classifies customer into four different groups: Loyalists, Hostages, Mercenaries and Defectors. Using two services [Mobile Phone (N=588) & Credit Card (N=220)], consistent support was found for (a) Loyalists were emerged as the heaviest users of services while (b) Hostages were found as the lightest users of services. Provide numerous implications for practicing managers and academicians.

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1. Introduction

There is an abundance of literature on customer loyalty-satisfaction link and its importance, testifying to the fact that above mentioned link increases the probability of repeat buying; enhances word-of-mouth communications; lowers a consumer's price sensitivity; reduces complaints and lawsuits; and ultimately affects shareholder value. The most significant benefit identified in this list, however, is the customer satisfaction-loyalty link, which proposes that "customer satisfaction drives customer loyalty" (Heskett, Loveman, Sasser, Schlesinger, 1994). A strong relationship found between customer satisfaction and customer loyalty and particularly so when customers are very satisfied (Heskett et al., 1994). Furthermore, the relationship between service satisfaction and loyalty is non-linear (Oliva, Oliver & MacMillan, 1992); meaning that if satisfaction increases above a certain level, customer loyalty will increase rapidly. However, it is also shown that loyalty is insensitive to changes in customer satisfaction over a relatively large range of satisfaction levels that fall below that certain level.

2. Literature Review

Customer loyalty-satisfaction link classifies customers based on their satisfaction and loyalty levels (Jones & Sasser, 1995). They have classified customers into four different groups: (a) loyalist/apostle (high satisfaction - high loyalty), (b) hostage (low satisfaction - high loyalty), (c) mercenary (high satisfaction - low loyalty), and (d) defector (low satisfaction - low loyalty).

They concluded that the first two types are high-share, generally high-profit customers re-purchasing from the same suppliers or service providers. The worst kind is the last one, also known as consumer terrorist because people in this category have proved to be very lethal due to their un-fulfilled satisfactions. They reveal that higher levels of customer satisfaction do not necessarily correspond with higher likelihood to re-purchase a product or service. In both highly competitive and less competitive markets, they found that loyalists and hostages were more profitable segments as the propensity for them to switch is low (Jones & Sasser, 1995).

Numerous studies have shown that high levels of customer satisfaction and high rates of customer loyalty are strongly related to one another and to corporate profitability. Literature on Customer Satisfaction-Loyalty link suggested that companies that strive for customer loyalty should focus primarily on enhancing customer satisfaction and perceived value. The moderating effects of switching costs on the association of customer satisfaction-loyalty link and perceived value are significant only when the level of customer satisfaction or perceived value is above average (Yang & Peterson, 2004). It is further argued that the level of switching costs moderates the customer satisfaction-loyalty-link (Lee, Lee & Feick, 2001).

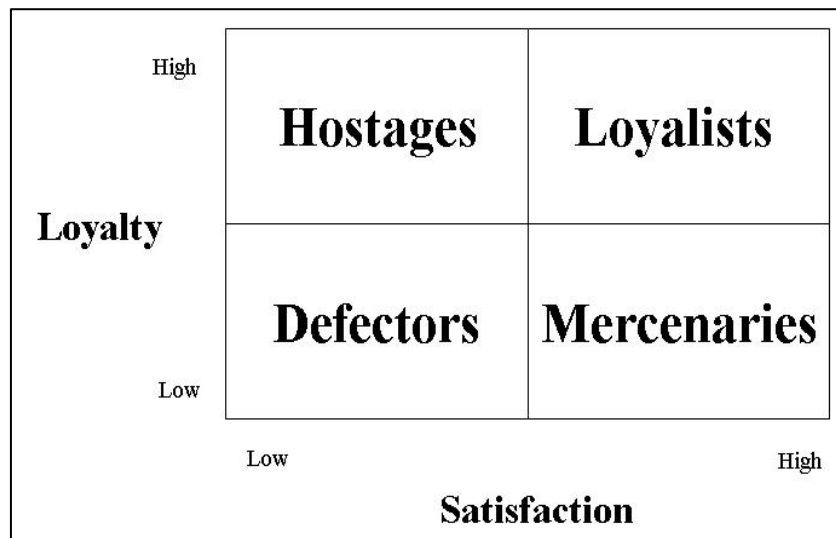


Figure 1
Types of Customers Based on the Loyalty-satisfaction Link

A number of studies were conducted on consumer behaviour in Pakistan (Siddiqui, 2013a) with special reference to customer satisfaction (Siddiqui, 2012); customer loyalty (Siddiqui, 2013a), customer switching (Siddiqui, 2011a); and linking them with the individual differences in consumer behaviour in Pakistan (Siddiqui, 2011b; Siddiqui, 2011c) for mobile phone usage (Siddiqui, 2011d; Naz & Siddiqui, 2011); and credit card usage (Siddiqui & Anjum, 2013). But literature on influence of customer loyalty-satisfaction link on its relative usage of services is almost absent in previous research.

3. Methodology

3.1 Research Instrument: The questionnaire used in this survey was used to measure behavioural attributes and usage rate of two relatively new, fast-growing, and technologically-sophisticated services i.e., (a) Mobile phone services; (b) Credit card services. The purpose of employing two different services in a single instrument is to enhance the ability to generalise and generate confirmatory results from the same study. Both sections are divided into three parts: (a) Customer loyalty, (b) Customer satisfaction, and (c) Service Usage.

Customer Satisfaction was measured by multi-item scale developed by Lee, Lee, Feick (2001) while Customer Loyalty was measured by Zeithaml et al (1996). Both constructs used five-point Likert scale to measure items and were adapted for mobile phone and credit card services (Siddiqui, 2011a; Siddiqui, 2012; Siddiqui, 2013). Excellent internal consistency score was reported for Customer loyalty scale ($\alpha = 0.93$, Zeithaml et al, 1996; $\alpha = 0.84$ Siddiqui, 2013a; $\alpha = 0.92$, Siddiqui, 2013a). Customer satisfaction scale was also reported having good internal consistency ($\alpha = 0.68$, Lee et al., 2001; $\alpha = 0.91$ Siddiqui, 2012; $\alpha = 0.91$, Siddiqui, 2012).

Service usage data was solicited for two different services using five-point Likert scale ranging from very low usage to very high usage. For mobile phone services very high usage was marked as using more than 1000 minutes per month as talk time; sending 1000 text messages per month; sending more than 20 MMS per month and/or using more than 20 MB of internet. Low usage rate was marked as zero usage; rest three categories of usage were adjusted in between the two extremes of usage. For credit card services data was solicited for seven major usage categories; (a) dining out; (b) internet shopping; (c) paying utility bills; (d) paying at petrol pump; (e) buying clothing; (f) buying electronics; (g) buying groceries. frequencies were observed for their usage as (a) never; (b) daily; (c) weekly; (d) monthly; and (e) occasionally.

3.2 Sampling: The respondents embedded in this research study are the government recognized university students under the domain of graduate, undergraduate and doctoral programs. A major chunk among the students comprised of mostly youngsters and those respondents who have familiarity with the telecommunication and credit card services. On the other side students enrolled in evening programs, weekend, EMBA, or doctoral programs

have been evident to be better source of target for the study of credit card domain. It is vital to notify that these Bi-populations have been particularly opted from a major chunk of populations on the criteria of sampling techniques namely judgment and convenience sampling. A survey was conducted with the help of a Questionnaire. In totality 810 questionnaires were dispersed in 13 distinct universities throughout Pakistan. In order to collect the survey classrooms were requested for the feedback with at least 30 students registered in that class. Out of 800 questionnaires only 792 got filled as the 8 respondents were turn down to fill the questionnaires. The response rate noted was 99.4%. Moreover, 204 questionnaires were cancelled due to insufficient information and other causality. The remaining were 588 responses left (Table 1). Psychologists are of the view that the samples which are usually based on the convenience and judgment sampling do not take into consideration this practice as a problematic cause. Sufficient evidence from the literature has been provided for an efficient sample size such as Comrey and Lee (1992); Meyer, Becker and Dick (2006) and Hair, Black, Babin, Anderson, Tatham, (2006); a sample size of [N=500] university students was supposed to be acceptable for the existing examination (Siddiqui, 2013b).

3.3 Data Collection: In the presence of faculty members the questionnaires were dispersed among clusters of students in classrooms. Class-rooms selection was chiefly done because of two reasons, as stated: (a) providing a contented and focused atmosphere with all the readable and writing engagements at work including sufficient illumination; (b) exemplifies that students behave formally. This approach proved to work well and a major chunk of the students completed the questionnaire without any problematic cause. In totality 800 questionnaires were dispersed; out of which 8 students turn down to cooperate and remaining 792 questionnaires notify a response rate of 99.4%. Nevertheless, 204 questioners were not filled due to insufficient data and other causes. Total of 588 were left to be useful to conduct this study.

4. Analyses

The data was analysed in four steps (Siddiqui, 2015). Firstly, confirmatory factor analyses (CFA) were made for the Customer Loyalty (Table 1) and Customer Satisfaction (Table 2) scales for mobile phone and credit card services separately (Siddiqui, 2012; Siddiqui, 2013a). Summated scores were created for the resultant factors (Table 1 & 2).

Secondly, Customer Loyalty-Satisfaction grids were established for two services separately. Respondents having both customer loyalty and customer satisfaction scores between 2.5 and 5.0 were classified as *Loyalists*.

Table 1
Confirmatory Factor Analyses - Mobile Phone & Credit Card Loyalty

Items	Mobile Phone Loyalty (N=588)	Credit Card Loyalty (N=220)
<i>KMO</i>	0.80	0.91
<i>α</i>	0.84	0.92
<i>M</i>	3.43	2.74
<i>SD</i>	0.86	1.21
I would recommend my service provider to others.	0.99	
I say positive things about my service provider to other people.	0.93	
I would re-purchase the services from the same service provider.	0.58	
I would re-purchase the services from the same service provider.		0.96
I say positive things about my service provider to other people.		0.93
I would recommend my service provider to others.		0.67

(Source: Siddiqui, 2013a)

Respondents having both customer loyalty and customer satisfaction scores between 0 and 2.5 were classified as Defectors. Respondents having customer loyalty scores between 2.5 and 5.0 and having customer satisfaction scores between 0 and 2.5 were classified as Hostages. Respondents having customer loyalty scores between 0 and 2.5 and having customer satisfaction scores between 2.5 and 5.0 were classified as Mercenaries. Means and standard deviations were computed for four classes i.e., Loyalists, Defectors, Hostages, Mercenaries. Finally, CFAs were made for mobile phone and credit card usage separately (Table 3) and summated scores were created for the resultant factors (Table 3).

Table 2

Confirmatory Factor Analyses-Mobile Phone & Credit Card Satisfaction

Items	Mobile Phone Satisfaction (N=588)	Credit Card Satisfaction (N=220)	
	<i>KMO</i>	0.64	0.74
	<i>α</i>	0.91	0.92
	<i>M</i>	2.96	2.68
	<i>SD</i>	0.99	0.96
I am satisfied with my service provider for their billing.			0.84
I am satisfied with my service provider for their customer services.			0.84
I am satisfied with my service provider for their service quality.			0.83
I am satisfied with my service provider for their technology.			0.81
I am satisfied with my service provider for their overall satisfaction.			0.80
I am satisfied with my service provider for pricing.			0.76
I am satisfied with my service provider for overall satisfaction.		0.84	
I am satisfied with my service provider for their billing.		0.83	
I am satisfied with my service provider for their service quality.		0.82	
I am satisfied with my service provider for their technology.		0.82	
I am satisfied with my service provider for their customer services.		0.79	
I am satisfied with my service provider for their pricing.		0.78	

(Source: Siddiqui, 2012)

Table 3

Confirmatory Factor Analyses-Mobile Phone & Credit Card Usage

Items	Mobile Phone Usage (N=588)	Credit Card Usage (N=220)	
	<i>KMO</i>	0.52	0.82
	<i>α</i>	0.71	0.83
	<i>M</i>	2.18	2.68
	<i>SD</i>	0.94	0.92
Buying Clothing			0.856
Buying Electronics			0.833
Buying Groceries			0.789
Paying at Petrol pump			0.720
Dining Out			0.630
Paying Utility Bills			0.611
Multimedia messages	0.793		
WAP impressions	0.781		
Text messages	0.695		
Call Time	0.668		

For mobile phone usage frequencies all four items were loaded on a single factor while for credit card usage frequency one item was not able to load on single factor i.e., Internet Shopping. This item was dropped from the subsequent analyses. Means and standard deviations were computed for mobile phone (Figure 2) and credit card (Figure 3) usage frequencies corresponding to four classes i.e., Loyalists, Defectors, Hostages, Mercenaries.

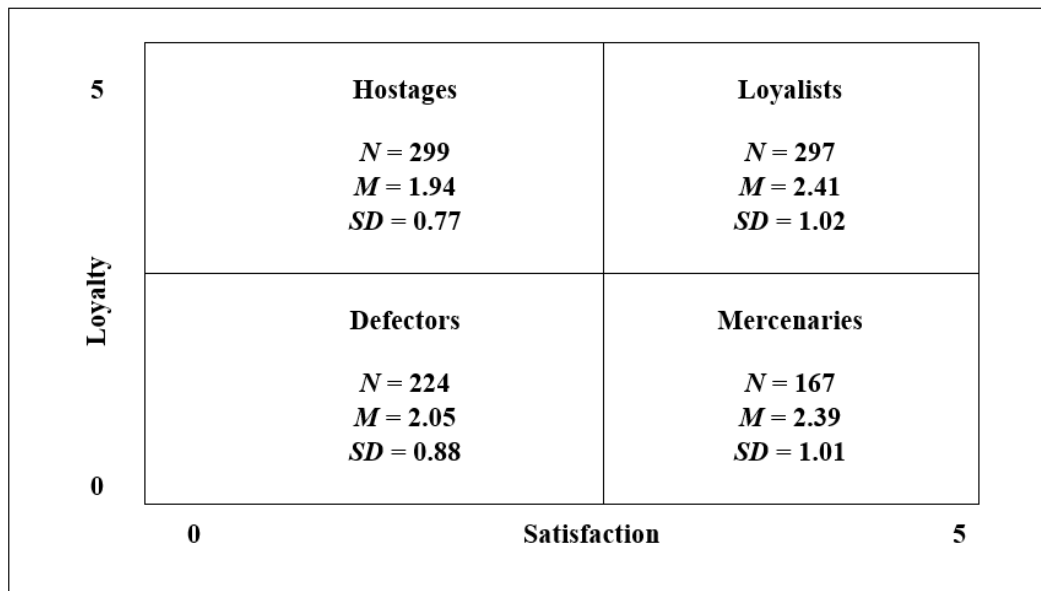


Figure 2

Customer Loyalty-Satisfaction Grid with Mobile Phone Usage (N=588)

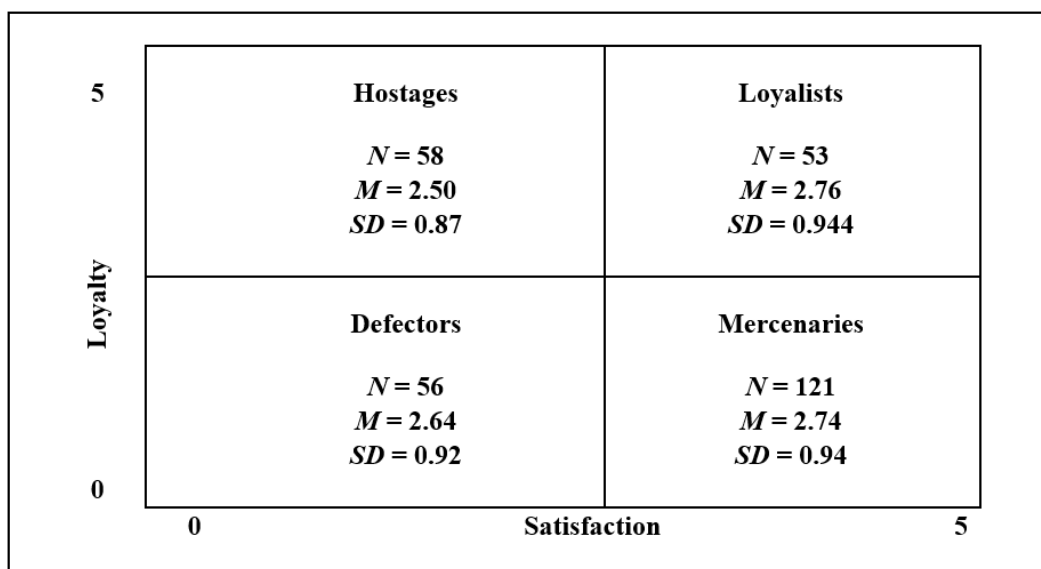


Figure 3

Customer Loyalty-Satisfaction Grid with Credit Card Usage (N=220)

5. Limitations

The results derived from this research study are solely dependable on the data collection method and techniques embedded. Nevertheless, problems generated while collecting the data, deriving from faulty questioning, and inaccuracy in the responses with inadequate information affected the results generated. Moreover, endeavored for the reduction in errors, by applying the pilot testing thus ensuring questioning was transparent and explicit. In addition, applicants or respondents were provided with the directions in a clear and explicit mode. These problematic errors were also brought to a minimal level through a significant inspection process resulting in reducing out several questionnaires from additional processing.

6. Conclusion

Customer loyalty is supposed to be a significant element. In this study a grid has been provided representing the types of customers which are based on the Loyalty-satisfaction Link. (a) The respondents having both customer loyalty and customer satisfaction were classified as **Loyalists**. (b) Respondents having both customer loyalty and customer satisfaction were classified as **Defectors** (c) Respondents having customer loyalty scores and having customer satisfaction scores were classified as **Hostages** (d) Respondents having customer loyalty and customer satisfaction were classified as **Mercenaries**. In addition, Loyalist were proved to be a significant part of this study as the results indicated that there scores are ranged, 2.5-5.0.

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